

Information Services Board Briefing Paper on the Health Care Authority Insurance System Replacement Project

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Description

The Health Care Authority (HCA) will review the status of its Insurance System Replacement Project (ISRP).

Recommendation to the Board

ISB staff recommends that the Board endorse HCA's decision to sever, disengage, or otherwise change its relationship with Healthaxis, Ltd. and, if appropriate, to pursue claims available to HCA under the terms of the contract, effective May 24, 2002.

Further, staff recommends that the Board instruct HCA to conduct a thorough analysis of the causes for the failure of the project to achieve its stated goals and to report its findings to the Board no later than the November 2004 meeting (or next meeting thereafter should November's be cancelled). This analysis is in keeping with the spirit of the post-implementation review section of the ISB's Information Technology Portfolio Management Standards, which states:

[A post-implementation] review should **assess the causes and impacts of any significant reductions in benefits, increases in one-time or continuing costs, problems with project management, or increases in project risk during the course of the project.** It must document practices and procedures that lead to project successes and make recommendations for applying them to similar future projects, **and make recommendations for improving the planning, management, and quality control of future, similar investments or projects.** [Emphasis added].

Recommendation to the Project

No recommendation at this time.

Status

As of March 1, 2004, HCA and Healthaxis have been in negotiations to resolve their dispute related to the ISRP project. The parties have halted work on the project and hope to find a mutually acceptable approach to end the dispute through these negotiations. The Attorney General's Office and outside legal counsel are assisting HCA in these negotiations. Pending completion of the negotiations they have advised HCA to keep the terms of these discussions confidential.

By way of background, on December 29, 2003 HCA sent to Healthaxis a notice of Healthaxis' material breaches of the contract, Healthaxis' failure to perform substantial obligations under the contract, and rejection of the Healthaxis software for user acceptance tests. Healthaxis responded to this letter on January 6, 2004. HCA then sent a letter to Healthaxis on January 20, 2004 as a notice of Healthaxis' violations of material terms and conditions of and failures to fulfill its obligations under the contract (giving Healthaxis 30 days to correct such violations and failures described in the December 29, 2003 letter), and Healthaxis responded by letter dated February 6, 2004. The parties met by conference call on February 24, 2004, and Healthaxis and HCA have exchanged a series of communications since that date to pursue ways to resolve the dispute.

The FY04 supplemental budget includes funding for the continued operation of HCA's current legacy systems for the entire 2003-2005 Biennium, approximately \$2.4 million. HCA and the Department of Personnel have reached agreement for the ongoing operations and support of the Public Employees Benefits Board (PEBB) system.

Issues/Risks

Refer to the project report, pages 8-4 through 8-6.